

**SABINE RIVER AUTHORITY OF TEXAS
AND
SABINE RIVER AUTHORITY,
STATE OF LOUISIANA
TOLEDO REND - JOINT OPERATION
WATER SUPPLY HYDROELECTRIC SYSTEM FUND

FINANCIAL REPORT
AUGUST 31, 2003**

Under provisions of state law, this report is a public document. A copy of this report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Station House office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 12-24-03

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INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

To the Board of Directors,

Sabine River Authority of Texas, and

The Board of Commissioners,

Sabine River Authority, State of Louisiana

We have audited the accompanying basic financial statements of the Toledo Bend - Joint Operation, a joint operation between the Sabine River Authority of Texas and Sabine River Authority, State of Louisiana, as of and for the years ended August 31, 1993 and 1992. These financial statements are the responsibility of the Joint Operation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Toledo Bend - Joint Operation as of August 31, 1993 and 1992, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's discussion and analysis on pages 3 and 4 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with government auditing standards, we have also issued our report dated September 21, 2001, on our consideration of the Toledo Bend - Joint Operation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be used in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information schedule listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of Toledo Bend - Joint Operations. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, such information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Brownand, Patti, Lewis & Brown LLP

Lafayette, Louisiana
September 21, 2001

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Toledo Bend - Joint Operation (TBJO) annual financial report presents a discussion and analysis of TBJO's financial performance during the fiscal year that ended August 31, 1993. Please read this section in conjunction with TBJO's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

TBJO's net assets overall increased from \$43,597,318 to \$48,488,340 or 11% from August 31, 1992 to August 31, 1993. The main reason for this change was the increase in intergovernmental transfers, which fluctuate depending on levels of the states operating appropriations.

TBJO's intergovernmental revenues increased from \$3,931,064 to \$7,279,188 or 84% from August 31, 1992 to August 31, 1993. The operation's loss decreased to \$1,788,748 from \$2,837,881 or 36 for the year ended August 31, 1993.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements, and the notes to the financial statements.

The basic financial statements present information for the Operation as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets.

The Statement of Net Assets presents the assets and liabilities. The difference between total assets and total liabilities is the net assets and may provide a useful indicator of whether the financial position of the Operation is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Fund Net Assets presents information showing how the Operation's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, transactions are recorded that will not affect cash until future periods.

The financial statements provide information about TBJO's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

TBJO's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred. All assets and liabilities associated with the operation of TBJO are included in the statement of Net Assets.

FINANCIAL SUMMARY

Net Assets

TAHO's total net assets at August 31, 2003 increased by \$4,492,621, a 18% increase from August 31, 2002. The increase in total net assets is the result of major repair work done on the turbines at the Hydroelectric power plant. These repairs will extend the life of the turbines and have been capitalized to reflect the increased value of the assets. Total assets increased 24 or \$5,827,822 and total liabilities decreased 141 or \$24,207.

Changes in Net Assets

The change in net assets at August 31, 2003 is \$4,492,621 or 18% more than at August 31, 2002. TAHO's operating loss decreased to \$2,782,748 or 24 less than at August 31, 2002. For the same period, transfers increased to \$7,379,948 or 64%. The expenses are detailed below.

TAHO's General Operating Expenses

| | <u>2003</u> | <u>2002</u> |
|-----------------------------|--------------------|--------------------|
| General operating expenses: | | |
| Salaries and fees | \$3,483,188 | \$1,468,731 |
| Supplies | 82,322 | 84,669 |
| Maintenance | 116,764 | 137,088 |
| Energy charges | 118,808 | 117,177 |
| Depreciation | 1,511,834 | 1,179,849 |
| Miscellaneous | <u>129,882</u> | <u>292,321</u> |
| Total | <u>\$5,442,806</u> | <u>\$3,282,836</u> |

CURRENTLY KNOWN RISKS, DECISIONS, OR CONDITIONS

There are currently no known facts, decisions, or conditions that are expected to have a significant effect on financial position or results of operations.

CONSULTING TAHO'S FINANCIAL MANAGEMENT

This financial report is designed to provide our legislators, state officials, the Louisiana Legislative Auditor's office, persons, and other interested parties with a general overview of TAHO's finances and to demonstrate TAHO's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Debra Wagner at 1-800-745-8128.

BASIC FINANCIAL STATEMENTS

TELERO REND - JOINT OPERATION

STATEMENTS OF NET ASSETS
August 31, 2003 and 2002

| ASSETS | 2003 | 2002 |
|---|---------------------|---------------------|
| Cash | \$ 318,338 | \$ 489,134 |
| Accounts receivable | 1,218,344 | 1,421,957 |
| Other assets | 25 | 25 |
| Depreciable capital assets, net | <u>68,308,328</u> | <u>43,888,316</u> |
| Total assets | <u>\$48,885,035</u> | <u>\$45,820,312</u> |
| LIABILITIES | | |
| Accounts payable | \$ 3,182,984 | \$ 3,812,983 |
| Total liabilities | <u>\$ 3,182,984</u> | <u>\$ 3,812,983</u> |
| NET ASSETS | | |
| Invested in capital assets, net of reduced debt | \$45,702,050 | \$42,007,329 |
| Unrestricted | <u>379,640</u> | <u>482,303</u> |
| Total net assets | <u>\$46,081,690</u> | <u>\$42,489,632</u> |

See Notes to Financial Statements.

TOLEDO BOND - JOINT VENTURE

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
Years Ended August 31, 2000 and 2002

| | <u>2002</u> | <u>2000</u> |
|--------------------------|-------------------|-------------------|
| OPERATING REVENUES | | |
| Miscellaneous | \$ 554,400 | \$ 326,345 |
| OPERATING EXPENSES | | |
| Salaries and fees | 1,463,148 | 1,406,721 |
| Supplies | 93,333 | 88,089 |
| Maintenance: | | |
| Structures | 44,764 | 93,898 |
| Equipment | 93,088 | 48,203 |
| Sundry charges | 114,468 | 117,177 |
| Miscellaneous | 198,883 | 203,381 |
| Depreciation | <u>1,212,834</u> | <u>1,179,840</u> |
| Total operating expenses | <u>3,122,894</u> | <u>3,187,829</u> |
| Operating Income (Loss) | 12,786,747 | 61,437,885 |
| Transfers in | <u>1,219,388</u> | <u>1,421,454</u> |
| Change in net assets | 4,482,421 | 1,089,473 |
| Net assets, beginning | <u>42,777,317</u> | <u>42,732,818</u> |
| Net assets, ending | <u>50,269,146</u> | <u>50,252,312</u> |

See notes to Financial Statements.

COLECO BOND - JOINT OPERATION

STATEMENTS OF CASH FLOWS
Years Ended August 31, 1981 and 1982

| | <u>1981</u> | <u>1982</u> |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Paid to suppliers | \$11,940,976 | \$12,182,888 |
| Other receivables | <u>388,438</u> | <u>388,288</u> |
| Net cash used by operating activities | <u>\$12,329,414</u> | <u>\$12,795,164</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Capital contributions | 1,842,879 | 2,189,890 |
| Purchase of fixed assets | <u>18,442,320</u> | <u>(188,288)</u> |
| Net cash provided by capital and related financing activities | <u>1,657,559</u> | <u>2,001,602</u> |
| Net Increase in cash and cash equivalents | 428,145 | 207,438 |
| Balance, at beginning of year | <u>488,124</u> | <u>280,686</u> |
| Balance, at ending of year | <u>\$1,116,269</u> | <u>\$1,488,124</u> |
| Reconciliation of operating income to net cash used in operating activities: | | |
| Operating income | \$12,986,944 | \$12,837,882 |
| Adjustments to reconcile operating income to net cash used in operating activities: | | |
| Depreciation expense | 1,811,818 | 1,778,848 |
| Changes in assets and liabilities: | | |
| Accounts receivables | 688,712 | (1,812,687) |
| Accounts payable | <u>168,818</u> | <u>1,738,488</u> |
| Net cash used in operating activities | <u>\$12,527,122</u> | <u>\$12,722,421</u> |

See Notes to Financial Statements.

TOLEDO BEED - JOINT OPERATION

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The financial statements of the Toledo Beed - Joint Operation have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the operation's accounting policies are described below.

This financial report has been prepared in conformity with GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Government," issued in June 1999.

Reporting entity:

The Toledo Beed - Joint Operation is a joint operation between the Sabine River Authority of Texas and Sabine River Authority, State of Louisiana, and was established by joint resolution of the Texas and Louisiana Sabine River Authority. The operation is administered by an Operating Board composed of three members appointed by the Texas Authority and three members appointed by the Louisiana Authority.

Basis of presentation:

The financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions."

Proprietary funds are accounted for using a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and liabilities associated with the operations of these funds are included on the balance sheet. The proprietary fund uses the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized at the time liabilities are incurred.

NOTES TO FINANCIAL STATEMENTS

Capital assets:

Capital assets, which include the dam, spillway, hydroelectric power plant, reservoir, waterways, buildings, structures and equipment are reported at historical cost. All capital assets are depreciated using the straight-line method over the following estimated useful lives:

| | <u>Years</u> |
|-------------------------------------|--------------|
| Dam and spillway | 67 |
| Hydroelectric power plant | 67 |
| Reservoir and waterways | 67 |
| Buildings, structures and equipment | 5 - 50 |

Note 2. Changes in Capital Assets

The following is a summary of changes in capital assets:

| | <u>Balance</u> <u>8/1/82</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>8/31/83</u> |
|-------------------------------------|---------------------------------|---------------------|--------------------|----------------------------------|
| Dam and spillway | \$18,859,322 | \$ | \$ | \$18,859,322 |
| Hydroelectric power plant | 17,881,778 | 7,408,445 | - | 24,800,413 |
| Reservoir and waterways | 36,851,368 | - | - | 36,851,368 |
| Buildings, structures and equipment | 1,801,742 | 81,387 | 81,408 | 1,801,721 |
| Construction in progress | <u>1,831,857</u> | <u>2,972,388</u> | <u>2,853,480</u> | <u>-</u> |
| | <u>76,384,267</u> | <u>12,842,199</u> | <u>3,852,182</u> | <u>85,374,284</u> |
| Less accumulated depreciation for: | | | | |
| Dam and spillway | 7,824,228 | 279,890 | - | 8,104,118 |
| Hydroelectric power plant | 7,813,488 | 388,850 | - | 7,888,828 |
| Reservoir and waterways | 14,789,728 | 240,217 | - | 15,030,778 |
| Buildings, structures and equipment | <u>1,127,781</u> | <u>218,882</u> | <u>24,312</u> | <u>1,400,351</u> |
| | <u>31,554,845</u> | <u>1,211,939</u> | <u>24,312</u> | <u>32,830,796</u> |
| Capital assets, net | <u>\$44,829,422</u> | <u>\$12,630,260</u> | <u>\$3,876,494</u> | <u>\$53,583,188</u> |

NOTES TO FINANCIAL STATEMENTS

Note 3. Contingent Liabilities

Public Law 96-371 directed the Federal Energy Regulatory Commission (FERC) to waive annual administration charges for the use of United States lands during the remaining term of the license to operate the Joint Project. The license expires 50 years from October 1, 1949. The waiver is contingent upon FERC determining that the power from the project is sold to the public without profit. All exemptions applied for through August 31, 1983 have been approved.

Note 4. Service Items

Service items included in the categories salaries and fees represent the expenses incurred by Sabine River Authority of Texas and Sabine River Authority, State of Louisiana, individually, for the Joint Operation Water Supply and Hydroelectric System Fund. The associated expense was \$1,328,434 and \$1,088,180 as of August 31, 1981 and 1982, respectively.

Note 5. Deposits

At year end, the carrying amount of the Operation's deposits were \$118,128 and the bank balance was \$131,478. Of the bank balance, \$268,808 was covered by Federal depository insurance.

Note 6. Litigation

The Operation is subject to various claims and lawsuits which may arise in the ordinary course of business. After consulting with counsel representing the Operation in connection with such claims and lawsuits, it is the opinion of management and counsel that the disposition or ultimate determination of such claims and lawsuits can not be estimated at this time and could have a material effect on the financial position of the Operation.

TRIALS 8000 - COURT OPERATIONS

SCHEDULE OF INSURANCE CO POLICY

FOR THE FISCAL YEAR ENDING AUGUST 31, 2003

Policy period June 15, 2003 through June 15, 2004

| NAME OF COMPANY | POLICY NO. | DESCRIPTION | AMOUNT |
|---|----------------|--|--|
| Orbit Customer Insurance Company | Binder 8110403 | Commercial General Liability (includes terrorism) | \$1,000,000 Each Occurrence \$1,000,000 Annual Aggregate |
| AMERIS Mutual Insurance Services, Inc. | 2013 041003 | Business Liability (includes terrorism) | \$15,000,000 Each Occurrence |
| Marsh Tech (AIG) - 204 Liberty International - 204 subside of Marsh - 104 | Binder 8010003 | Property, Boiler and Machinery, Business Interruption, Flood and Earthquake (includes terrorism) | \$150,000,000 Per Occurrence \$1,000,000 Business Interruption Contractor's Equipment, Machine Equipment and Communications Equipment - Per Schedule |
| Liberty Mutual Insurance Company | Binder 8110403 | Auto Liability/Physical Damage | \$1,000,000 Bodily Injury/Property Damage |
| Liberty Mutual Insurance Company | Binder 8110403 | Mariner's Comp. - Tonnage and Limitations | \$1,000,000 Each Accident \$1,000,000 Policy Limit \$1,000,000 Each Employee |



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
 OVER FINANCIAL REPORTING BASED ON AN AUDIT
 OF FINANCIAL STATEMENTS PERFORMED IN
 ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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 Institute of American Registered
 Public Accountants

To the Board of Directors,
 Sabine River Authority of Texas, and
 The Board of Commissioners,
 Sabine River Authority, State of Louisiana.

We have audited the financial statements of the Toledo Bend - Joint Operation, a joint operation between the Sabine River Authority of Texas and Sabine River Authority, State of Louisiana as of and for the year ended August 31, 1991, and have issued our report thereon dated September 20, 1991. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Toledo Bend - Joint Operation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Toledo Bend - Joint Operation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to

a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended for the information of management. However, this report is a matter of public record and its distribution is not limited.

Bransard, Pata, Harris & Brown, LLP

Lafayette, Louisiana
September 21, 2000

TOLEDO BEED - JOINT OPERATION
WATER SUPPLY AND HYDROELECTRIC SYSTEM FUND

SCHEDULE OF FINDINGS AND QUESTIONED COSES
Year Ended August 31, 1961

We have audited the financial statements of Toledo Beed - Joint Operation, a joint operation between the Sabine River Authority of Texas and Sabine River Authority, State of Louisiana, as of and for the year ended August 31, 1961, and have issued our report thereon dated September 21, 1961. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our audit of the financial statements as of August 31, 1961 resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

A. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses ___ Yes X No
Reportable Conditions ___ Yes X None Reported

Compliance

Compliance Material to Financial Statements ___ Yes X No

Section II - Financial Statement Findings

No matters are reported.

SOLENO BOND - JOINT OPERATION
WATER SUPPLY AND HYDROELECTRIC SYSTEM FUND

SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended August 31, 2000

Section I. Internal Control and Compliance Material to the Financial Statements
None reported.

Section II. Internal Control and Compliance Material to Federal Awards
Not applicable.

Section III. Management Letter

The prior year's report did not include a management letter.